

To the Members of the California State Assembly:

I am returning Assembly Bill 1945 without my signature.

I believe that unfair rescissions are a deplorable practice. My Department of Managed Health Care has fought for – and won – significant settlements with the industry that have significantly changed the marketplace and reinstated coverage for thousands of consumers.

The Department's settlements are unprecedented and have fundamentally changed the way health plans operate in this state. The individual insurance market is fragile, and we must balance the need for strong consumer protections with the recognition that unintended consequences can tighten this market even more. Unfortunately, the provisions of this bill will only increase costs and further restrict access for over 2 million Californians that currently obtain coverage in the individual market.

My Administration proposed comprehensive legislation to address this problem. In particular, my proposal contained several strong consumer protections that this bill fails to address. My proposal established a standard application to remove any possibility of plans using different health questions to disadvantage applicants. This bill does not contain that protection. My proposal required agents and brokers to sign under penalty of perjury that they had not altered an applicant's answers. Penalties were levied if they engaged in this unscrupulous behavior. This bill does not contain that protection. My proposal clearly outlined the rules that plans and insurers had to follow when considering whether to offer a contract to an applicant. This bill does not contain that protection. My proposal didn't allow plans to rescind or cancel if a doctor failed to inform a patient of a medical condition. This bill does not contain that protection. My proposal contained a two-year lookback protection that prevented plans from rescinding or cancelling after two years. This bill does not contain that protection. My proposal protected family members and required coverage to be continued without additional underwriting or increase in premiums. This bill does not contain that protection.

This bill was written by the attorneys that stand to benefit from its provisions. In rushing to protect a right to litigate, the proponents failed to consider the real consumer protections that are needed.

I would call on the Legislature next year to work with my Administration on real legislation that enacts important protections for consumers without increasing premiums and reducing coverage for those who need it most.

For these reasons, I cannot support this bill.

Sincerely,

Arnold Schwarzenegger